



RESULTS RELEASE

2016 1st Quarter

LUZ SAÚDE

Announcement – Lisbon, 17th of May of 2016

Luz Saúde S.A. (public company) informs about its consolidated results for the first quarter of 2016.

HIGHLIGHTS

In the first quarter of 2016, our business continued to grow organically and through geographic expansion of our network:

- Consolidated operating revenues increased by 8.5% vis-à-vis 2015 first quarter, reaching €116.1 million, mainly influenced by the growth of the private segment (10.7%);
- Consolidated EBITDA of €15.5 million, with an EBITDA margin of 13.3% versus 14.4% in 2015, which was affected by the entry of Hospital da Misericórdia de Évora (lower margin due to the type of partnership) in the consolidation perimeter, by the acquisition of Hospital da Luz – Guimarães and Hospital do Mar – Gaia (both under turnaround process) and by the performance of Hospital Beatriz Ângelo (negative margin);
- Net Income attributable to shareholders was €6.2 million, representing a 16% growth versus 2015 (€5.3 million);
- Total CAPEX of €27.4 million, of which €26.2 million corresponded to expansion CAPEX, whether in geographic expansion, through the acquisition of Hospital da Luz – Guimarães and Hospital do Mar – Gaia, or in capacity increase in the current units, through the ongoing investment in Clínica de Oeiras expansion;
- With these investments, Luz Saúde net debt increased €31.6 million to €218.9.6 million (17% growth versus 2015 EOY), reaching a net debt to EBITDA ratio of 3.5x (versus 3.1x in 2015 EOY);
- In relation to the acknowledgment of the right of Hospital Beatriz Ângelo to receive payment for additional healthcare services rendered in outpatient context to HIV/AIDS patients, the manager entity of the Hospital has triggered the mechanisms of dispute resolution set out in the Management Contract, in order to initiate a mediation procedure with the Contracting Public Entity for the resolution of this issue.

OVERALL PERFORMANCE

Consolidated Income Statement

(Million Euro)	2015 Q1 ¹	2016 Q1 ¹	Var.
Operating revenues	107.1	116.1	8.5%
Operating costs	(91.6)	(100.7)	9.9%
EBITDA	15.4	15.5	0.5%
EBITDA margin	14.4%	13.3%	-1.1 p.p.
Depreciation	(6.1)	(5.7)	-5.7%
EBIT	9.3	9.8	4.5%
EBIT margin	8.7%	8.4%	-0.3 p.p.
Financial results	(2.2)	(1.6)	-27.7%
EBT	7.1	8.1	14.6%
Taxes	(1.8)	(2.0)	12.4%
Net Income	5.3	6.1	15.3%
Non-controlling interests	0.02	(0.02)	N.A.
Net Income attributable to Shareholders	5.3	6.2	16.1%
EPS (Euro)	0.055	0.065	18.2%

¹Non audited values

In the first quarter of 2016, Luz Saúde consolidated operating revenues increased by 8.5% vis-à-vis 2015 Q1, reaching €116.1 million, mainly driven by activity growth on the private healthcare segment (+10.7%).

EBITDA reached €15.5 million in 2016 Q1 and EBITDA margin reached 13.3%, a 1.1 p.p. decrease vis-à-vis 2015 Q1. This performance was justified by the entry of Hospital da Misericórdia de Évora (lower margin due to the type of partnership) in the consolidation perimeter, by the acquisition of Hospital da Luz – Guimarães and Hospital do Mar – Gaia (both under turnaround process) and by the performance of Hospital Beatriz Ângelo, which had a negative EBITDA margin in this quarter mainly due to the increase of the weight of consumables and drugs costs.

Despite the EBITDA margin reduction, the decrease of depreciation and improvement of financial results led to a net income attributable to shareholders of €6.2 million, representing a 16.1% growth versus 2015 Q1.

Consolidated Balance Sheet

(Million Euro)	2015 Dec	2016 Mar ¹
Fixed assets	348.3	370.0
Working capital	41.0	54.1
Shareholders' funds	202.0	205.1
Net debt	187.3	218.9
Net debt / EBITDA	3.1	3.5

¹Non audited values

In 2016 Q1, Luz Saúde consolidated CAPEX was €27.5 million, of which €26.2 million corresponded to expansion CAPEX, whether in geographic expansion, through the acquisition of Hospital da Luz –Guimarães and Hospital do Mar – Gaia, or in capacity increase in the current units, through the ongoing investment in Clínica de Oeiras expansion. The remainder €1.2 million corresponded to replacement and technological upgrade CAPEX, distributed across the Group's facilities, representing 1.0% of consolidated operating revenues.

At the end of the first three months of 2016, Luz Saúde consolidated net debt totaled €218.9 million, representing a €31.6 million increase from 2015 EOY, mainly driven by investments in expansion during the first quarter and by an increase in working capital levels. Net debt / EBITDA reached 3.5, comparing to 3.1 in 2015 EOY.

OPERATING REVENUES PERFORMANCE

Operating revenues by segment

(Million Euro)	2015 Q1 ¹	2016 Q1 ¹	Var.
Consolidated operating revenues	107.1	116.1	8.5%
Private Healthcare	82.2	91.0	10.7%
Public Healthcare	24.2	24.1	-0.1%
Other businesses	0.9	2.2	N.A.
Corporate center	3.6	3.4	-6.3%
Eliminations	(3.8)	(3.5)	-8.3%

¹ Non audited values

In the first quarter of 2016, Luz Saúde operating revenues reached €116.1 million, a growth of 8.5% compared to 2015 Q1.

The private healthcare segment operating revenues totaled €91.0 million, 10.7% above 2015 Q1. This growth was mainly fueled by a generalized increase in activity, both in ambulatory and inpatient services, by the entry of Hospital da Misericórdia de Évora in the consolidation perimeter and by the acquisition of Hospital da Luz – Guimarães and Hospital do Mar – Gaia.

Since the production contracting process for the year 2016 is not yet finalized, the operating revenues of the public healthcare segment were estimated based on the assumptions employed in 2015. This implies that the operating income of the public healthcare segment (Hospital Beatriz Ângelo) remained at €24.1 million.

The other businesses segment obtained €2.2 million operating revenues, an increase due to growth in the senior residences business and the beginning of activity of GLSMED Trade, a Group company dedicated to the distribution of medical devices.

RESULTS PERFORMANCE

Consolidated EBITDA and EBITDA margin

	2015 Q1 ¹		2016 Q1 ¹		Var.
	€ million	Margin	€ million	Margin	
Consolidated results	15.4	14.4%	15.5	13.3%	0.5%
Private Healthcare	15.8	19.2%	16.7	18.4%	6.0%
Public Healthcare	0.3	1.3%	(0.4)	-1.8%	N.A.
Other businesses	(0.0)	-3.6%	0.1	6.6%	N.A.
Corporate center	(0.6)	N.A.	(0.9)	N.A.	N.A.

¹Non audited values

In consolidated terms, Luz Saúde's EBITDA was €15.5 million and EBITDA margin decreased from 14.4% in 2015 Q1 to 13.3% in 2016 Q1.

On the private healthcare segment, the EBITDA margin decreased from 19.2% in 2015 Q1 to 18.4% in 2016 Q1. This evolution was due to the mentioned effect of the entry of Hospital da Misericórdia de Évora (lower margin due to the type of partnership) in the consolidation perimeter and of the acquisition of Hospital da Luz – Guimarães and Hospital do Mar – Gaia (both under turnaround process).

On the public healthcare segment, EBITDA margin decreased from 1.3% to -1.8%, as a result of the operating revenues estimate mentioned earlier and of the increase of the weight of consumables and drugs costs, due to the significant growth of Oncology activity and of costs from anti-retroviral therapy for HIV patients.

BALANCE SHEET PERFORMANCE

(Million Euro)	2015 Dec	2016 Mar ¹		2015 Dec	2016 Mar ¹
Property, Plant and Equipment	251.3	257.5	Share Capital and Premiums	156.0	156.7
Intangible assets	95.7	111.3	Reserves and Retained Earnings	45.9	48.5
Others	1.2	1.2	Shareholder funds	202.0	205.1
Fixed assets	348.3	370.0	Non-Current Bank Loans	176.4	188.7
Inventories	8.1	9.0	Current Bank Loans	19.0	33.0
Clients	136.6	156.0	Non-Current Financial Leases	15.6	17.1
Suppliers	(93.0)	(97.6)	Current Financial Leases	5.8	5.1
Others	(10.6)	(13.2)	Cash and Cash Equivalents	(29.4)	(25.0)
Working capital	41.0	54.1	Net Debt	187.3	218.9
Fixed assets + Working capital	389.3	424.0	Shareholder funds + Net debt	389.3	424.0

¹Non audited values

During 2016 Q1, Luz Saúde consolidated CAPEX reached €27.4 million, driving fixed assets to €370 million by the end of March 2016, explained by the company's strategy of owning the majority of its assets, with a significant real estate portfolio, which integrates the healthcare facilities as well as the land plots where they are located.

Working capital increased to €13.1 million, reaching €54.1 million by the end of 2016 first quarter.

By the end of 2016 first three months, Luz Saúde consolidated financial debt totaled €243.9 million, with €221.7 million in bank loans and €22.2 million in financial leases. Bank loans were split across short and medium-long term commercial paper programs (€199 million), medium-long term loans (€22 million) and short term facilities (€1 million), with an overall average maturity of 4 years. Net debt reached €218.9 million, representing a €31.6 million increase from 2015 EOY value, mainly driven by investments in expansion during the first quarter and by an increase in working capital levels. Net debt / EBITDA reached 3.5, comparing to 3.1 in 2015 EOY.

OUTLOOK FOR 2016

In 2016, the Portuguese economy is expected to maintain 2015 GDP growth levels (1.5% according to the Portuguese Central Bank). However, there are still several factors that can and may offset the economical turnaround, being the most relevant the high level of unemployment and the considerable tax burden on individuals and companies.

The health insurance market in Portugal has maintained its historical growth trajectory, with an increase in premiums volume of 5% in the first quarter of 2016, reaching approximately €218 million, despite the economical environment.

Regarding health subsystems, it should be noted that the transfer of ADSE to the Ministry of Health might have future implications in its relationship with private healthcare providers, considering the eventual compromise of this subsystem's independence against the NHS, which has a role of payer and provider for healthcare services.

In 2016, Luz Saúde will maintain its focus on leveraging the high demand verified for its services on the private healthcare segment, in order to continue improving capacity utilization, assets turnover and overall profitability. Simultaneously, the company will proceed with its capacity expansion plans, namely in Hospital da Luz, in Hospital da Arrábida and in Hospital da Luz – Clínica de Oeiras. Additionally, Luz Saúde will continue to analyze consolidation opportunities in the national market, focusing on small to mid size players, which would allow complementing Luz Saúde offer and increase its caption areas.

In relation to Hospital da Luz Guimarães, Luz Saúde focus will be on operational activity growth on the two units belonging to the company, as well as implementing the Group's functional standards to them.

On the public healthcare segment, the Group will be focused on maintaining high levels of activity growth and on efficiency enhancement initiatives, in order to improve Hospital Beatriz Ângelo's profitability levels.

In relation to the acknowledgment of the right of Hospital Beatriz Ângelo to receive payment for additional healthcare services rendered in outpatient context to HIV/AIDS patients, the manager entity of the Hospital has triggered the mechanisms of dispute resolution set out in the Management Contract, in order to initiate a mediation procedure with the Contracting Public Entity for the resolution of this issue. This corresponds to a measure with significant impact in the hospitals' financial performance. In particular, for Hospital Beatriz Ângelo, the recognition of this right would represent an estimated impact of € 0.6 million for 2015 Q1 and € 0.9 million for 2016 Q1. Additionally, the arbitration proceeding that opposes the company that manages Hospital Beatriz Ângelo and the Portuguese State regarding the funding of costs incurred with medical interns working in the Hospital, placed there by the ARS Lisboa e Vale do Tejo, was initiated.

Regarding the international expansion of Luz Saúde, the Group continues with the analysis of the project for a new private facility in Luanda. At the same time, the analysis of the

expansion to other geographies has been developing, under the new shareholder Fidelidade / Fosun context.

Luz Saúde, S.A.

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DISCLAIMER

Certain statements in this document are not historical facts but constitute “forward-looking statements” that are subject to risks and uncertainties. Examples of such forward-looking statements include, but are not limited to statements of possible or assumed future results of our business, financial position, results of operations, liquidity, plans, objectives, goals or strategies; statements relating to our expectations of demand for our services, the evolution of the healthcare market in Portugal or changes in policy of the government of Portugal; and the assumptions underlying such forward-looking statements. Words such as “targets”, “believes”, “anticipates”, “expects”, “estimates”, “intends”, “plans”, “continues”, “projects”, “predicts”, “foresees”, “likely”, “will”, “may”, “could” or “should” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

Any forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. Current and prospective investors as well as analysts should not rely upon forward-looking statements as predictions of future events and should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate.

Such forward-looking statements speak only as of the date on which they are made. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee the events and circumstances reflected in the forward-looking statements will materialize or will occur. Accordingly, except as required by law or regulation, we do not undertake any obligation to update or review any of them after the date of this document to conform these statements to actual results or to changes in our expectations, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

APPENDIX

Consolidated Income Statement

(Million Euro)	2015 Q1 ¹	2016 Q1 ¹	Var.
Revenue from sales and services provided	106.8	115.9	8.5%
Other operating income and earnings	0.2	0.3	31.7%
Capitalized internal construction costs	0.0	0.0	N.A.
Other financial income and earnings	0.1	0.0	-94.4%
Total income and earnings	107.2	116.2	8.4%
Inventory consumed	(15.6)	(17.3)	10.6%
Cost of services and materials	(46.8)	(52.0)	11.1%
Personnel expenses	(28.9)	(30.8)	6.5%
Depreciation and amortisation	(6.1)	(5.7)	-5.7%
Other operating expenses and losses	(0.4)	(0.2)	-55.0%
(Accrual to)/release of provisions	0.3	(0.1)	N.A.
Write-off and impairment losses	(0.3)	(0.3)	2.9%
Interest and other financial expenses and losses	(2.4)	(1.6)	-31.2%
Total expenses and losses	(100.1)	(108.0)	7.9%
Income/(loss) before taxes	7.1	8.1	14.6%
(Income taxes)/tax benefit	(1.8)	(2.0)	12.4%
Net income	5.3	6.1	15.3%
Income/(loss) attributable to non-controlling interests	0.0	(0.0)	N.A.
Net income attributable to equity holders	5.3	6.2	16.1%
Earnings per Share (Euros)	0.055	0.065	18.2%

¹ Non-audited values

Consolidated Statement of Financial Position

(Million Euro)	2015 Dec	2016 Mar ¹	Var.
Assets			
Property, plant and equipment	251.3	257.5	2.5%
Intangible assets	95.7	111.3	16.2%
Investments in associates and joint ventures	1.2	1.2	0.0%
Other receivables	1.1	1.2	3.8%
Total non-current assets	349.4	371.1	6.2%
Inventories	8.1	9.0	10.1%
Trade receivables	87.7	104.5	19.1%
Other receivables	48.8	51.4	5.3%
Cash and cash equivalents	29.4	25.0	-15.1%
Total current assets	174.1	189.9	9.1%
Total assets	523.5	561.0	7.2%
Shareholders' Equity			
Share capital	95.5	95.5	0.0%
Own shares	(1.3)	(0.7)	-50.0%
Share premiums	61.8	61.8	0.0%
Reserves and retained earnings	45.9	48.5	5.5%
Shareholders' equity attributable to equity holders	202.0	205.1	1.6%
Shareholders' equity attributable to non-controlling interests	1.7	3.0	71.2%
Total shareholders' equity	203.7	208.1	2.2%
Liabilities			
Provisions for risks and charges	6.9	7.0	2.0%
Non-current bank loans	176.4	184.4	4.5%
Financial derivatives instruments	0.2	4.3	N.A.
Financial lease liabilities	15.6	17.1	9.6%
Deferred tax liabilities	0.5	0.2	-69.6%
Total non-current liabilities	199.6	213.0	6.7%
Trade payables	31.6	30.2	-4.3%
Other payables	61.5	67.4	9.7%
Current bank loans	19.0	33.0	73.8%
Tax payable	2.4	4.2	76.3%
Current financial lease liabilities	5.8	5.1	-11.5%
Total current liabilities	120.2	140.0	16.4%
Total liabilities	319.8	353.0	10.4%
Total shareholders' equity and liabilities	523.5	561.0	7.2%

¹ Non-audited values

Income Statement by segment – 2016 Q1¹

(Million Euro)	Private Healthcare	Public Healthcare	Other businesses	Corporate Center	Eliminations	Consolidated
Operating revenues						
Revenues from sales and services	90.8	24.1	2.1	3.3	(4.4)	115.9
Other operating income	0.2	0.1	0.0	0.0	(0.1)	0.3
Total operating revenues	91.0	24.1	2.2	3.4	(4.6)	116.1
Inventory consumed	(11.6)	(5.7)	(1.0)	0.0	1.1	(17.3)
Cost of services and materials	(45.6)	(7.7)	(0.7)	(1.5)	3.5	(52.0)
Personnel expenses	(16.8)	(10.9)	(0.3)	(2.8)	0.0	(30.8)
Provisions, write-off and impairment losses	(0.1)	(0.3)	0.0	(0.0)	0.0	(0.4)
Other operating costs	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
EBITDA	16.7	(0.4)	0.1	(0.9)	(0.0)	15.5
EBITDA margin	18.4%	-1.8%	6.6%	-27.8%	0.0%	13.3%
Depreciation and amortisation	(4.5)	(0.9)	(0.3)	(0.1)	0.0	(5.7)
EBIT	12.3	(1.3)	(0.1)	(1.1)	(0.0)	9.8
Financial results						(1.6)
EBT						8.1
Income taxes						(2.0)
Income/(loss) attributable to non-controlling interests						(0.0)
Net income attributable to equity holders						6.2

¹Non audited values

Income Statement by segment – 2015 Q1¹

(Million Euro)	Private Healthcare	Public Healthcare	Other businesses	Corporate Center	Eliminations	Consolidated
Operating revenues						
External clients	82.0	24.2	0.9	3.5	(3.7)	106.8
Intersegment	0.2	0.0	0.0	0.1	(0.1)	0.2
Total operating revenues	82.2	24.2	0.9	3.6	(3.8)	107.1
Inventory consumed	(10.4)	(5.3)	(0.0)	0.0	0.0	(15.6)
Cost of services and materials	(36.7)	(7.6)	(0.4)	(1.3)	(0.8)	(46.8)
Personnel expenses	(14.6)	(10.7)	(0.3)	(3.3)	0.0	(28.9)
Provisions, write-off and impairment losses	(0.1)	(0.2)	0.0	0.3	0.0	0.0
Other operating costs and income	(4.6)	(0.1)	(0.1)	(0.0)	4.6	(0.4)
EBITDA	15.8	0.3	(0.0)	(0.6)	(0.0)	15.4
EBITDA margin	19.2%	1.3%	-3.6%	-17.8%	0.0%	14.4%
Depreciation and amortisation	(4.5)	(1.2)	(0.2)	(0.1)	0.0	(6.1)
EBIT	11.3	(0.9)	(0.3)	(0.8)	(0.0)	9.3
Financial results						(2.2)
EBT						7.1
Income taxes						(1.8)
Income/(loss) attributable to non-controlling interests						0.0
Net income attributable to equity holders						5.3

¹Non audited values

Cash Flow

(Million Euro)	2015 Q1 ¹	2016 Q1 ¹
EBITDA	15.4	15.5
Financial Results	(2.2)	(1.6)
Income Tax	(1.8)	(2.0)
Cash Flow from Operations	11.4	11.9
Capex	(3.9)	(27.4)
Working Capital Variation	12.8	(13.1)
Free Cash Flow	20.4	-28.6

¹Non audited values

Working Capital

(Million Euro)	2015 Dec	2016 Mar ¹
Inventories	8.1	9.0
<i>in days of inventory consumed</i>	48	47
Clients	136.6	156.0
<i>in days of revenues from sales and services provided</i>	118	123
Suppliers	(93.0)	(97.6)
<i>in days of inventory consumed, costs of services and materials and personnel expenses</i>	97	119
Others	(10.6)	(13.2)
Working capital	41.0	54.1

¹Non audited values

Debt Breakdown

(Million Euro)	2015 Dec	2016 Mar ¹
Short and Medium-Long Term Commercial Paper	176.0	198.6
Medium-Long Term Loans	18.4	21.7
Short Term Loans	1.0	1.4
Financial Leases	21.4	22.2
Total Financial Debt	216.7	243.9
Cash and Cash Equivalents	29.4	25.0
Net Debt	187.3	218.9
Net Debt / Recurrent EBITDA	3.1	3.5

¹Non audited values

Activity Volumes

(Milhares)	2015 Q1	2016 Q1 ¹	Var.
Consultations	440.3	481.5	+9.4%
Emergency Visits	158.2	155.0	-2.0%
Surgeries and Deliveries	15.3	16.6	+8.4%
Imaging Exams	262.3	279.2	+6.5%
Other Exams and Treatments (excluding Lab Tests)	713.0	820.5	+15.1%

¹ Considers provisional figures for Hospital da Luz – Guimarães activity volume

Glossary

CAPEX: Investments in tangible and intangible assets, excluding cash inflows from sale of assets

Days of payables: $(\text{Current trade payables} + \text{Current other payables} + \text{Tax payables}) / (\text{Inventory consumed in the period} + \text{Cost of services and materials in the period} + \text{Personnel expenses in the period}) \times \text{number of days in the period considered}$

Days of receivables: $(\text{Current trade receivables} + \text{Current other receivables}) / (\text{Revenue from sales and services provided in the period}) \times \text{number of days in the period considered}$

EBIT: EBITDA - Depreciation and amortization

EBIT margin: EBIT / Operating revenues

EBITDA: Operating revenues – Operating costs

EBITDA margin: EBITDA / Operating revenues

EBT: EBIT – Financial results

EPS: Earnings per Share = Net Income attributable to Luz Saúde shareholders / total number of shares

Financial debt: Current bank loans + Non-current bank loans + Current financial lease liabilities + Non-current financial lease liabilities + non recurrent suppliers

Financial results: Other financial income and earnings - Interest and other financial expenses and losses

Fixed assets: Property, plant and equipment + Intangible assets + Investments in associates and joint ventures

Net debt: Financial debt – Cash and cash equivalents

Operating costs: Sum of inventory consumed, cost of services and materials, personnel expenses, other operating expenses and losses, accrual to/release of provisions, write-off and impairment losses

Operating revenues: Revenues from sales and services provided plus other operational income and earnings

Shareholder funds: Share capital + Share premiums + Non-distributable reserves + Distributable reserves + Retained earnings/(losses) + Net income/(loss) attributable to equity holders

Working capital: Inventories + Trade receivables + Other receivables + Current taxes receivable - Trade payables - Other payables - Tax payable - Deferred tax liabilities - Shareholders' equity attributable to non-controlling interests